

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554**

In the Matter of	)	
	)	
Auction of H Block Licenses in the 1915-1920 MHz	)	AU Docket No. 13-178
and 1995-2000 MHz Bands; Comment Sought on	)	
Competitive Bidding Procedures for Auction 96	)	

**REPLY COMMENTS OF T-MOBILE USA, INC.**

T-Mobile USA, Inc.<sup>1/</sup> (“T-Mobile”) submits these reply comments in response to the July 15, 2013 Public Notice issued by the Wireless Telecommunications Bureau (“Bureau”) and the comments of other parties in the above-referenced proceeding regarding the procedures for auctioning licenses in the 1915-1920 MHz and 1995-2000 MHz bands (together the “H Block”).<sup>2/</sup> While parties offered differing suggestions on how the auction should be conducted, there was widespread agreement that the rules should promote auction participation, which, among other benefits, will provide revenues for the First Responder Network Authority (“FirstNet”) and reduce the deficit, as contemplated by the Middle Class Tax Relief and Job Creation Act of 2012 (the “Spectrum Act”).<sup>3/</sup> T-Mobile concurs and suggests that, to further encourage participation and ensure a successful auction, the Bureau should consider the feasibility of auctioning the H Block with the 1695-1710 MHz and 2155-2180 MHz bands, and the hopefully soon-to-be reallocated (from federal use) 1755-1780 MHz band (together “AWS-3 Bands”).<sup>4/</sup>

**I. AUCTIONING THE H BLOCK WITH THE AWS-3 BANDS HAS BENEFITS.**

As a general rule, T-Mobile believes getting more spectrum into the marketplace as quickly

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<sup>1/</sup> T-Mobile USA, Inc. is a wholly-owned subsidiary of T-Mobile US, Inc., a publicly traded company.

<sup>2/</sup> See *Auction of H Block Licenses in the 1915-1920 MHz and 1995-2000 MHz Bands; Comment Sought on Competitive Bidding Procedures for Auction 96*, Public Notice, AU Docket No. 13-178, DA 13-1540 (rel. July 15, 2013) (“*Public Notice*”).

<sup>3/</sup> See 47 U.S.C. § 1401 *et seq.*

<sup>4/</sup> Because these reply comments address issues relevant to the AWS-3 Bands, T-Mobile is also filing them in the open proceeding regarding those bands (*i.e.* GN Docket No. 13-185).

as possible is beneficial, and it understands the logic of the Commission's proposal to move promptly to auction the H Block now that service rules for the band have been adopted. However, in the circumstances currently facing the Commission and the mobile broadband industry, combining the H Block and AWS-3 spectrum auctions may have merit, if feasible and if doing so would not sacrifice other goals of the Commission for these auctions.<sup>5/</sup> Thus, T-Mobile respectfully asks that the Commission consider such an approach – even if it might result in a short delay of the H Block auction.

While they are not perfect substitutes, the H Block and AWS-3 spectrum have similar characteristics that make them both attractive to carriers.<sup>6/</sup> The H Block is directly adjacent to the broadband PCS band, which is intensively used for mobile broadband services, while the AWS-3 Bands are either already designated for or are adjacent to existing domestic wireless spectrum, allowing them to serve as extension bands and making them particularly well suited for commercial wireless services.<sup>7/</sup>

Therefore, carriers that do not acquire AWS-3 spectrum may wish to obtain H Block spectrum and *vice versa*. This is especially true for carriers who currently hold spectrum in both the PCS and AWS-1 bands, as many carriers, including T-Mobile, currently do. However, in order for

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<sup>5/</sup> Combining spectrum blocks into a single auction is a common practice. In the last three years, at least ten different countries in Europe, including the United Kingdom, Germany, Ireland, Portugal, Spain, Switzerland, Italy, the Czech Republic, Romania, and the Netherlands, have successfully auctioned more than one band together. See GSMA, Digital Dividend: Auctions Summary, <http://www.gsma.com/spectrum/wp-content/uploads/DigitalDividend/DDtoolkit/auctions-summary.html> (last visited Aug. 16, 2013); Mark Colville, "Bidding Halted in Czech Republic's LTE Auction: Can Spectrum Auctions Raise Too Much Money?", ANALYSYS MASON (Mar. 15, 2013), available at <http://www.analysismason.com/About-Us/News/Insight/Czech-LTE-auction-Mar2013/#.UgKZ6dLql8F>.

<sup>6/</sup> See Prepared Remarks of FCC Commissioner Jessica Rosenworcel, CTIA 2013 Las Vegas, Nevada, at 3 (May 22, 2013) ("Rosenworcel Remarks"), available at [http://hraunfoss.fcc.gov/edocs\\_public/attachmatch/DOC-321155A1.pdf](http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-321155A1.pdf) (noting that the bands identified in the Spectrum Act "can serve as compliments (sic) or substitutes for each other").

<sup>7/</sup> See Reply Comments of T-Mobile USA, Inc., WT Docket No. 12-357, at 3 (filed March 7, 2013); see also Comments of T-Mobile US, Inc., WT Docket No. 13-135, at 6-14 (filed June 17, 2013).

carriers to most effectively make decisions about which spectrum to pursue, the bands should be available at the same time. The value a carrier attaches to the H Block spectrum may be impacted, perhaps substantially, by the results of the AWS-3 auction. A carrier that attempts, but is unsuccessful, in acquiring AWS-3 spectrum (or as much AWS-3 spectrum as it had planned to acquire) in a later auction may regret not participating in the earlier H Block auction. Auctioning the bands together will allow participants to evaluate their business plans holistically and make informed, real-time decisions about which blocks to bid on to suit their business needs.<sup>8/</sup>

Auction participation, regardless of the licenses offered, is a time-consuming and expensive process, often requiring bidders to raise funds to participate (indeed, the Commission's rules require winning bidders to make their full payments shortly after the close of the auction) and subjecting bidders to complex requirements.<sup>9/</sup> Bidders may lack the resources or be unable to secure financing to fully participate in two separate sequential auctions held so closely in time. Conducting the AWS-3 and H Block auctions separately may segment auction participation; some parties will choose not to bid on the H Block in favor of waiting for the AWS-3 auction, or *vice versa*.

Given the future auctions on the horizon and the considerable resources needed to actively and successfully participate in any auction, carriers must prioritize participation. T-Mobile may be

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<sup>8/</sup> As Commissioner Rosenworcel recently noted, “[b]y holding a single auction, we can generate more interest, and carriers can assess the auction in real time to decide which bands work best for them.” Rosenworcel Remarks at 3 (adding: “I recognize that auctioning some bands in separate auctions, including the H block, may be easier for the agency. But I think the market for spectrum works best if we auction these bands together in a single event.”); *see also Amendment of the Commission's Rules with Regard to Commercial Operations in the 1695-1710 MHz, 1755-1780 MHz, and 2155-2180 MHz Bands, et al.*, Notice of Proposed Rulemaking and Order on Reconsideration, GN Docket No. 13-185, *et al.*, FCC 13-102 (rel. July 23, 2013) (“AWS-3 NPRM”) (Statement of Commissioner Jessica Rosenworcel) (“I would prefer that we auction all of these spectrum bands in a single auction. . . . A single auction could mean more ability to consider how these bands can be substitutes or complements for one another.”); Bob Quinn, *AT&T Public Policy Views & News: Collaboration and Compromise* (June 5, 2013), *available at* <http://publicpolicy.att.com/collaboration-and-compromise> (agreeing that a single auction “could focus efforts and interest and stimulate participation”).

<sup>9/</sup> *See, e.g.*, 47 C.F.R. § 1.2105(c) (prohibiting certain communications between applicants).

less likely to participate in the H Block auction if it is held shortly prior to the anticipated AWS-3 auction for all the reasons stated here. However, if the auctions were combined, T-Mobile could readily participate in bidding for both the H Block and AWS-3 spectrum. Other companies will go through the same evaluation process and may well arrive at a similar conclusion. In fact, if the H Block is auctioned on its own, it is possible that only one bidder will participate.<sup>10/</sup> As a result, separate auctions could lead to a decrease in overall participation in at least one, and possibly both auctions, and detrimentally affect auction revenues. In contrast, holding a single auction for the H Block and AWS-3 Bands will create a single larger pool of potential bidders on any particular license. More potential bidders for every license will likely produce higher auction revenues,<sup>11/</sup> providing the funds needed to meet the needs of the nation's first responders and reduce the deficit as provided under the Spectrum Act.<sup>12/</sup>

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<sup>10/</sup> Compare Kevin Fitchard, *It's Auction Time! FCC Preps for First Mobile Airwave Free-for-All In 5 Years*, GIGAOM (July 17, 2013), available at <http://gigaom.com/2013/07/17/its-auction-time-fcc-preps-for-first-mobile-airwave-free-for-all-in-5-years/> ("The most likely bidders in what is now being called Auction 96 are Sprint and Dish Network. Both own frequencies on either side of the H-block and both could use those licenses to augment their LTE networks.") with Letter from Jeffrey H. Blum, Senior Vice President & Deputy General Counsel, DISH Network Corp., to Ms. Marlene H. Dortch, Secretary, FCC, GN Docket No. 12-268, *et al.*, at 4 (filed Aug. 2, 2013) ("[I]t is unlikely DISH will choose to meaningfully participate in the upcoming auction of the H Block."); Stifel, *Industry Update: DISH Suggests It May Skip H Block Bidding; Could Be Helpful to Sprint Plans*, at 1 (Aug. 6, 2013), available at <https://stifel2.bluematrix.com/sellside/EmailDocViewer?encrypt=983a3c69-9c18-4064-9d73-d487780389e8&mime=html&co=Stifel&id=dpkaut@stifel.com&source=libraryView> ("If DISH doesn't bid aggressively at the H Block auction, we believe that could make it easier for Sprint to win the spectrum, though it's possible other parties could still bid.").

<sup>11/</sup> See, e.g., Letter from Patrick D. Riordan, President and CEO, New-Cell, Inc., d/b/a Cellcom, to Ms. Marlene H. Dortch, Secretary, FCC, GN Docket No. 12-268, AU Docket No. 13-178, GN Docket No. 13-185, at 2 (filed Aug. 5, 2013) ("Increased participation in an auction leads directly to increased prices and revenue."); see also Comments of Cellular South, Inc., AU Docket No. 13-178, at 3 (filed Aug. 5, 2013) ("Cellular South Comments") (suggesting that lower auction participation could result in lower auction proceeds).

<sup>12/</sup> See AWS-3 NPRM at Statement of Commissioner Jessica Rosenworcel at 2 ("A single auction could be our best shot for funding the First Responder Network Authority now, and providing the agency with more flexibility in the incentive auction down the road."); see also Comments of Sprint Corporation, AU Docket No. 13-178, at i (filed Aug. 5, 2013) ("Sprint Comments") (stating that "the H Block auction design should efficiently and effectively assign this spectrum, while also serving the revenue-generation goals of funding FirstNet").

T-Mobile agrees with commenting parties that support prompt action to auction and license the H Block.<sup>13/</sup> It has consistently urged the Commission to make spectrum available to meet the demand for wireless broadband capacity.<sup>14/</sup> Nevertheless, the Spectrum Act requires that *both* the H Block and the AWS-3 Bands be auctioned and licensed by February 2015.<sup>15/</sup> The Commission has stated its intention to auction the AWS-3 Bands as early as September 2014,<sup>16/</sup> and it has already initiated the process for developing rules governing the bands.<sup>17/</sup> Given the Department of Defense's ("DoD") recent proposal for relocating its operations from the 1755-1780 MHz band,<sup>18/</sup> it appears increasingly likely that this band will also be included in the auction on a paired basis with 2155-2180 MHz. T-Mobile is optimistic about the prospects of the Commission being in a position to auction 1755-1780 MHz with 2155-2180 MHz in the second half of 2014, but T-Mobile also understands there is still a lot of work to do with DoD to ready this band for auction. Nevertheless, it hopes that if feasible, the Commission would consider combining the auctions for these bands together with the H Block and the other AWS-3 Bands.

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<sup>13/</sup> See, e.g., Comments of AT&T Inc., AU Docket No. 13-178, at 1 (filed Aug. 5, 2013) ("AT&T Comments"); Comments of United States Cellular Corporation, AU Docket No. 13-178, at 2 (filed Aug. 5, 2013) ("USCC Comments").

<sup>14/</sup> See, e.g., Comments of T-Mobile USA, Inc., AU Docket No. 13-178 (filed Aug. 5, 2013) ("T-Mobile Comments"); Comments of T-Mobile USA, Inc., WT Docket No. 12-357 (filed Feb. 6, 2013); Reply Comments of T-Mobile USA, Inc., WT Docket No. 12-357 (filed March 7, 2013); Comments of T-Mobile USA, Inc., WT Docket No. 12-269 (filed Nov. 28, 2012); Reply Comments of T-Mobile USA, Inc., WT Docket No. 12-269 (filed Jan. 7, 2013); Comments of T-Mobile US, Inc., WT Docket No. 13-135 (filed June 17, 2013); Reply Comments of T-Mobile USA, Inc., WT Docket No. 13-135 (filed July 25, 2013).

<sup>15/</sup> See *Public Notice* ¶ 2; *AWS-3 NPRM* ¶ 10; 47 U.S.C. § 1451(b).

<sup>16/</sup> See Letter from Julius Genachowski, Chairman, FCC, to Lawrence E. Strickling, Assistant Secretary for Communications and Information, U.S. Dep't of Commerce, at 1 (Mar. 20, 2013), *available at* <http://go.usa.gov/2VR5>.

<sup>17/</sup> See *generally AWS-3 NPRM*.

<sup>18/</sup> See Letter from Teresa M. Takai, Chief Information Officer, Dep't of Defense, to Lawrence E. Strickling, Assistant Secretary for Communications and Information, NTIA, U.S. Dept. of Commerce (July 17, 2013), *attached to* Letter from Karl B. Nebbia, Associate Administrator, Office of Spectrum Management, NTIA, to Julius P. Knapp, Chief, Office of Engineering and Technology, FCC, GN Docket No. 13-185, ET Docket No. 10-123, and GN Docket No. 09-51, (filed July 22, 2013).

## **II. THE BUREAU CAN UTILIZE THE SIMULTANEOUS MULTIPLE-ROUND APPROACH.**

Commenters support the use of the simultaneous multiple-round (“SMR”) approach for the H Block.<sup>19/</sup> For instance, RDL Management, LLC notes that “[a] fully transparent SMR auction allows each participant to engage in price discovery which allows the bidders to understand the value other bidders may place on the spectrum.”<sup>20/</sup> Sprint Corporation (“Sprint”) likewise supports SMR, noting that SMR has been successfully used in the past, encourages auction participation, and provides participants with the necessary flexibility to adapt their strategy as the auction progresses in pursuit of their own individual and unique spectrum needs to best serve their subscribers.<sup>21/</sup>

T-Mobile’s comments pointed out the benefits of both a sealed-bid and SMR approach for a standalone H Block auction.<sup>22/</sup> If the Commission conducts a single auction of H Block and AWS-3 spectrum, however, T-Mobile agrees that an SMR approach may be more practical than a sealed-bid process. A single auction would involve multiple spectrum blocks in different bands, making it more important for participants to be able to engage in price discovery and obtain feedback in order to pursue alternative strategies. In addition, a combined auction, as noted above, would likely result in greater auction participation than a standalone auction of the H Block. Under such circumstances, there will be less opportunity for anti-competitive behavior and thus the bidding protections associated with a sealed-bid approach would be less necessary.

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<sup>19/</sup> See generally, e.g., Comments of RDL Management, LLC, AU Docket No. 13-178 (filed Aug. 5, 2013) (“RDL Comments”); Comments of the Rural Telecommunications Group, Inc., AU Docket No. 13-178 (filed Aug. 5, 2013); Sprint Comments; Cellular South Comments; USCC Comments.

<sup>20/</sup> RDL Comments at 3.

<sup>21/</sup> See Sprint Comments at 2-11.

<sup>22/</sup> See T-Mobile Comments at 2-4.

T-Mobile's comments also pointed out the benefits that Hierarchical Package Bidding ("HPB") offers.<sup>23/</sup> As Charles Holt, the A. Willis Robertson Professor of Political Economy at the University of Virginia, and Jacob Goeree, a Chaired Professor at the University of Zürich, explain, HPB minimizes "exposure" risk, limiting instances where auction participants bid high for a group of licenses and only win a subset of them.<sup>24/</sup> Package bidding may therefore be particularly appropriate where spectrum will be licensed for small geographic areas, such as Cellular Market Areas, in order to aid bidders secure a critical geographic mass and to prevent bidders from obtaining orphaned geographic areas.

While T-Mobile continues to support package bidding, combining the H Block and the AWS-3 spectrum in a single auction will increase the number of options available to bidders and thereby reduce the exposure risk. Licensing the H Block and the AWS-3 spectrum on an Economic Area basis<sup>25/</sup> will lessen some of the concerns about an auction of very small market areas. Accordingly, although implementing SMR without package bidding is not T-Mobile's preferred approach, it may be feasible if the Commission auctions the H Block and the AWS-3 Bands together and uses Economic Areas or larger geographic areas.

### **III. CONCLUSION**

Commenting parties in this proceeding widely agree that the H Block should be auctioned in a manner that maximizes participation and fulfills the important goals of the Spectrum Act.

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<sup>23/</sup> See *id.* at 4-5.

<sup>24/</sup> See Comments of Jacob Goeree and Charles Holt, AU Docket No. 13-178, at 1-2 (filed Aug. 5, 2013); see also AT&T Comments at 2-3 (noting that package bidding, if properly structured, would be a fair and efficient way to accommodate bidders of all sizes as bidders interested in only one or a few licenses in a geographic area would be able to bid separately on those areas while larger, regional or national operators would have a method to reduce the risks associated with trying to assemble a larger footprint by bidding and winning multiple local licenses).

<sup>25/</sup> See generally AWS-3 NPRM ¶ 52.

T-Mobile recognizes that there are also valid policy reasons, such as wanting to get new spectrum into the marketplace as soon as possible, to proceed with a standalone H Block auction on the schedule currently proposed. T-Mobile respectfully suggests, however, that another, and in some respects better way, for the Commission to achieve its goals in this area is by auctioning the H Block together with the AWS-3 Bands, even though this would result in a brief delay in moving the H Block into the market. Accordingly, while we recognize that it is a close call, T-Mobile asks the Commission to give a joint auction serious consideration. Finally, T-Mobile agrees that if the Commission proceeds with a combined auction, an SMR approach would be the appropriate framework.

Respectfully submitted,

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